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Assoc. of So. Agric. Workers

FOODS GO TO MARKET

Frequently, during the past few months, food prices have been in the news. Homemakers made headlines with their demonstrations against rising food prices and some of the promotional activities used by retail grocers. Since these demonstrations have subsided, there have been many discussions about their causes, the major problems indicated, and what should be or can be done about them.

Of course, every person has the right of peaceful protest against real or apparent abuses. Consumers have a responsibility to help maintain a competitive marketing system. They have a right to demand shopping alternatives. In areas where there is no choice among stores with and without games and frills, consumers are justified in expressing their feelings.

I can understand, too, homemakers' concern about rising food costs. Food is an important item in the current expenditures of most Americans. For those with low incomes, it may be the biggest item of all.

But still other facts emerged from these demonstrations, from letters received by our Department and by Mrs. Peterson's office, and from statements in newspapers, magazines, on radio and TV. These indicated that people felt a need to resist something. Prices of some foods were going up--and, of course, nearly everybody has an interest in food!

However, many of the statements made showed a lack of understanding of, or appreciation for, what the food production and marketing system has done and is trying to do for consumers. They also indicated a lack of knowledge of the effect of the interplay of various economic forces on prices.

Let's take a look at what happens as "Foods Go To Market," let's examine some of the more important reasons why prices of food change.

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Remarks by Trienah Meyers, Staff Assistant to the Administrator, Economic Research Service, at the Home Economics Section, Association of Southern Agricultural Workers, Inc., Jung Hotel, New Orleans, Louisiana, Tuesday, January 31, 1967.

Just imagine for a minute the total amount of food that was eaten by our 195 million Americans in 1965. This would have filled eight freight trains with each train stretching all the way from New York City to San Francisco. It was equivalent to over 2 1/2 tons of food a year for an average family of four. Of this, meat, poultry, and fish totaled nearly half a ton, and dairy products close to three-quarters of a ton. Fruits and vegetables accounted for well over a half a ton. Other foods added up to around four-fifths of a ton. And this food had to be moved from the farm to market so the family shopper could have --

The food she wanted --

Where she wanted it --

When she wanted it --

In the form she wanted -- and -- hopefully --

At a price she considered "reasonable."

Think how this task is compounded for a supermarket manager. This family shopper is only one of his customers. Others may differ in their wants because of the amount they can or want to spend for food; the kind and qualities of food they like; the amount of built-in maid service they want to buy; the size of their family and the ages of their children. One could cite still other differences among demands of customers even within the area served by a supermarket and the array of differences is great. A manager cannot cater to the desires of only one family or even to the so-called "average" family. He must try to please all or most of his present customers and try to present a package of foods and services so others will prefer his store over the one down the street. This is a big job--but it still is only a part of what is done by our efficient and world famous production and marketing system.

To take a look at what our food supply system has done for us, let's reminisce a bit. Some of us can recall when a fresh orange in the Christmas stocking was a real treat. We can recall when commercially canned foods were still somewhat suspect. As we bought such items we examined each can for signs of "bulges" which would indicate to us that something might be wrong. After we did get our purchases home, we opened the cans immediately and transferred the food to other containers.

Our shopping consisted of treks to the bakery, the corner grocery where baskets of lettuce, apples, and other fresh produce were often left sitting in the summer



sun; the butcher shop with sawdust on the floor and beef hanging uncovered, unrefrigerated, at the side of the store.

Remember, too, the wholesale canning of food at home for use during the winter--the "putting up" of fruits and vegetables; the stocking of bins in the "cellar" with enough potatoes to last until spring. These are the good old days often recalled with great nostalgia. But most of the nostalgic memories of these days tend to include only those things that look good to us from this distance. At the time, these same "good old days" may have been called "these trying times."

Yes, some of us are still around who can remember these. But today's young housewife can hardly envision what they were like. She has missed one of the real success stories of recent years--the evolution, indeed, the revolution in our food marketing system.

It's difficult for some of us to realize that three out of every four Americans living today are too young to remember World War I. That nearly two-thirds of us were not yet born when the stock market crashed in 1929! And, most amazing to me, is that to nearly a half of our population the Korean War is ancient history! This means they've been growing up during the period of greatest prosperity--and technological innovation--in our history.

Today's young homemakers have always shopped in supermarkets with from 6,000 to 8,000 or even more items from which to choose. They can select from a variety of pre-cooked, pre-packaged foods--processed potatoes, TV dinners, oven-ready pizzas, prepared cake mixes, brown-and-serve rolls. Foods with built-in maid services have done much to help save time in the kitchen. And time is a precious commodity for most of us these days, especially for wives who work--as one in every three American wives now do. Yet, if such foods don't suit a homemaker, she can purchase individual foods and create her own counterparts--be her own maid or chef.

In today's supermarkets everything is displayed side by side. And, everything includes all the things that get added to the grocery bill that aren't foods at all--laundry soap, floor wax, children's socks, even Hi-fi records and encyclopedias. About 20 percent of the average grocery bill--the bill we tend to think of as the family food bill--is made up of items to wear or read or listen to or clean house

with. We certainly don't eat them. I know I was surprised to find that we buy through the supermarket about 90 percent of all the cat and dog food sold, more than half of the toothpaste, half of the aspirin and now, nearly half of the hair spray. In 1965, we spent about the same amount in grocery stores for dog food as we did for canned baby food. We spend 3 percent more for three products--canned and bottled beer for off-premise consumption, cigarettes, and pet foods--than we did for fresh beef.

Our young shoppers also get fringe benefits when they shop. Most supermarkets provide parking, check cashing services, air conditioned comfort in summer. Some even serve hot coffee to customers. There are loudspeakers to report lost children. And there are sample demonstrations to let homemakers taste and evaluate new foods before they buy. The supermarket today specializes in selling a market basket of services along with its products.

But, these are taken for granted by much of our national population. They can't know from experience the countless innovations in production and marketing that have brought us a bountiful array of foods. To many young people, food literally grows on supermarket shelves. They have little or no concept of the effort that is involved from the time a seed is planted until a food or a mixture of foods reaches grocery shelves.

One of the most vivid descriptions I've seen about what happens to food on its way to market is the article by Kermit Bird "Ketchup For A Small Boy: The Marketing Marvel." 1/ By the time you reach the third page of this 10-page article you wonder how a bottle of catsup can be bought in any grocery from New York to Podunk for around one penny an ounce! There's the raising of tomatoes, onions, garlic, and sugar cane--there's the salt,--and then the pepper which is imported from foreign lands. There are bottle makers--the shipping carton fabricators--the railroads and trucks that transport all these to the processing plant. Then, on and on it goes, until the bottled catsup reaches the shelves in grocery stores ready to be taken home to embellish a young son's hot dogs, hamburgers, and the like--all this for a little more than a penny an ounce!

I might mention, too, some of the innovations in unrelated fields that have been put to imaginative use by the food or food-related industries. For example,

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1/ U.S. Department of Agriculture, Yearbook of Agriculture 1966, "Protecting Our Food," pages 92-101.



soundwaves adapted from military radar and sonar are being used on the assembly line to settle contents of packages containing such bulky products as cornflakes. This way the package can be filled by the manufacturer and should help to do away with consumer complaints about "half-empty" boxes.

On the assembly line, too, magnets are being used to remove impurities from food and pull the foods along the line at the same time.

Originally developed for spraying insecticides, aerosol containers are being used by the food industry to dispense such things as whipped cream and cheese spread.

Although still experimental, atomic radiation is reducing spoilage in some fresh fruits and vegetables. In time, homemakers may find fresh products cheaper in their retail stores--thanks to another peaceful use of atomic power.

At this point, I'm going to try to be a mind reader. If I were talking to a group of homemakers, my guess is that they would be thinking, "Yes, and look how much all this is costing us! Look how food prices have gone up!"

Well--they're partially right--some food prices have gone up. They might be surprised, however, to know that some foods have gone down in price too--foods that are important in their purchases! They wouldn't be completely right either if they thought that all changes that have been made in production and marketing techniques have increased the price of food. Without some of these, our food might cost more--=. And, of course, we would have fewer kinds of products from which to choose.

If I asked the question, "Are food prices high?"--I believe many homemakers would say "Yes" without much hesitation--even new homemakers who have no basis for comparison but who hear others complain. So, let's examine food prices. Let's see what has happened and why. Let's ask ourselves a few questions and see what "facts" we have to answer them.

"How much have food prices gone up?"

This past year retail food prices were nearly 5 percent higher than in 1965. This rise was greater than the long-term trend of between 1 and 1 1/2 percent

a year. But, it, also, is considerably less than the 11 percent increase that occurred in 1951 during the Korean War--the last time prices went up significantly in a relatively short period of time.

These overall estimates of price changes are based on Indexes published by the Bureau of Labor Statistics--the ones usually reported each month in newspapers to indicate what has happened to the cost of living since 1957-59. As of December 1966, the Food Index had risen 14.8 percent. During the same period medical care was up 31.9 percent; prices of footwear increased 22.9 percent; and public transportation was up 29.8 percent. The Index of "All Items" had increased by 14.7 percent.

Any discussion of the Food Index should include some reference to the behavior of its two components--Index for "Food at home" and "Food away from home." As of December, prices of food at home had risen only 12.6 percent since 1957-59 compared with 26.3 percent for restaurant meals.

To show the effect of recent price rises on a week's basket of food, let's compare estimates of the cost of the Department's low, moderate and liberal food plans in March and September 1966. These food plans suggest quantities of food that will provide well-balanced meals to be eaten at home or carried from the home food supply.

The family of four used for the comparison consists of a mother and father, 20-35 years old, one child between 6 and 9, and a boy between 9 and 12 years.

These comparisons show that between March and September, the cost of the low- and moderate-cost plans increased 40 cents on about \$27 and \$36 respectively;



the liberal plan went up 50 cents on about \$42. What impresses me most is the fact that if this family had shifted their pattern of food use from the low- to the moderate-cost plan, it would have increased their expenditures by \$9 a week. <sup>2/</sup>

Indexes and estimates such as the foregoing serve a purpose in showing changes in the cost of the same quantity of food at different periods of time. But, they are not designed to show what Mrs. Homemaker spends for her purchases at her grocery store during a specific week. It is most unlikely that the family shopper would buy the same quantities of the same foods each week. It is even more unlikely that all families would do so. I might add, too, that they probably wouldn't shift the kinds of foods they buy quite as much in a week's time as represented by the different food plans. To provide variety and take advantage of "specials," a homemaker usually changes the kinds of meat and vegetables she buys from week to week. This tends to keep her food bill from changing too much.

On the other hand, if she picks up a package of lobster tails, cooked shrimp, or similar gourmet foods, and stocks up on paper products and pet foods, her bill may take a big jump---. Changes in prices may have nothing to do with the size of the supermarket check that particular week.

Let's look now at why the prices of some foods increased rather sharply in 1966. We might start with a "concept" that's pretty basic, but one that tends to

<sup>2/</sup> Estimated cost of food plans at three levels, family of 4,  
March and September, 1966 <sup>1/</sup>

Family:	Cost for 1 week			
	Low-cost plan	Moderate-cost plan	Liberal plan	
Mother & Father 20-35				
Child, 6-9				
Boy, 9-12				
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	
March 1966 . . . . .	26.40	35.40	41.20	
September 1966 . . . . .	26.80	35.80	41.70	
Diff. Sept. over Mar. . .	+40	+40	+50	

<sup>1/</sup> Source: Family Economics Review: June 1966, p. 14; Dec. 1966, p. 26. Consumer and Food Economics Research Div., USDA. Estimates are computed from quantities in food plans published in Family Economics Review, Oct. 1964. The costs given for the low-cost, moderate-cost, and liberal plans assume selections similar to those reported in a food consumption survey by low, middle, and high income families. Prices paid by these families have been updated to current levels by using the Retail Food Prices by Cities of the Bureau of Labor Statistics.

be overlooked. And that's the old principle of supply and demand. It's still one of the chief factors in determining what food costs are at any given time.

Dairy, meat, bakery and cereal products accounted for two-thirds of the overall increase in prices. Most of this was caused by an exceptionally strong demand in relation to supplies. For example, milk prices went up because supplies were dwindling. Dairy farmers have not been receiving sufficient returns for their efforts and some have left their farms for other occupations. In addition, some of those who had dairy farms reduced the size of their herds because they could get more for meat than for milk.

What has made our demand for food so great?

First, we had more Americans to feed--around 2 1/3 million more than in 1965.

Then--consumers had more money to spend--about 7 percent more per person, after taxes, than in 1965.

Military purchases were up 15 percent during the first 9 months of 1966.

And, food was still being sent to needy countries.

These various pressures against reduced supplies of some foods forced their prices to rise rapidly during a relatively short period. But even with increases, food prices in terms of income are still in the consumer's favor. On the average, we are spending about 18 percent of our take-home pay for food--the lowest share in our history!

Saying this another way, consumers work fewer hours now than in the past to earn enough to purchase their food needs. Today, the average worker spends less than 8 hours per week in earning enough to buy his family's food. A couple of decades ago, over 13 hours of work were required. When it is considered that today's family market basket is composed of high quality foods and many that are partially or wholly prepared, these gains are even more impressive.

Why, then, do we have such strong protests about prices?



I'm sure I don't know all the answers to this question. But, let's look at some reasons provided by consumer research, by those who study the workings of our complex economy, and by analyses of recent statements made by consumers.

One reason, and a very important one, appears to be a lack of understanding of the workings of our economic system and, in particular, the interrelationship of supply and demand and prices.

I think this many faceted problem may be more acute in the food industry than in most. As opposed to clothing or cars or books, food is the one item we must have--every day, every week, every year. Eyeing a new Hi-fi set, we may subconsciously resent the money we spend for food. But food we must have.

Another reason may be that food is the one big item that isn't automatically built into the budget. We commit ourselves to monthly payments for rent or for a house mortgage, the family car, maybe even two cars, the washing machine, the set of encyclopedias for the youngsters and other consumer items. We allow for insurance coverage, hospitalization, doctor and dental bills. These are budgeted expenditures and we tend to pay for them by check.

Food, on the other hand, we usually buy for cash. And many times, and probably for most of us, it's the cash left over after other commitments have been met. If this cash residue won't stretch far enough each week to include favorite foods, we may blame the price of food.

I'm inclined to think, too, that homemakers have a price range in mind when they shop. If the price of bacon, to take just one item, goes above this mental price ceiling--because of short supplies--then the homemaker is reluctant to buy. If the price falls to an unusual low because of abundant supplies, she will buy more but may not stop to think what a bargain it is.

Food prices are "high" or getting there when they push this mental price ceiling and "normal" only when they go down. For items like fryers, some consider the "special" price, the regular price. Yet, the store may be using them as loss leaders, selling them at, or even below, cost on that particular day.

Then, too, when newspapers report that the Food Index has gone up, a family shopper can usually point to some food that has increased in price; undoubtedly, she could point to some that had gone down, too. It is normal for food prices to fluctuate. Even during the months this year when the Food Index was showing the sharpest increase, the prices of some foods were lower than reported for the



same month in 1965. And, as I showed earlier, the supermarket bill can go up faster and more by changing our buying habits, than from price increases, per se. Of course, many of us, today, can lower our total expenditures also by changing our purchasing patterns.

Then, too, homemakers frequently compare what they are spending this year with last without considering changes in family itself. There may have been an addition to the family. Or, that son may have reached the "everlastingly hungry" stage!

So you can see, there are many variables that go to make up our food bills--some within control of the homemaker--some beyond her control. We want her to understand more about these latter variables than she appears to now--things that make up the basic economics of marketing.

What are some of these?

Statements in newspapers this fall indicate that many consumers see little, if any, relationship between incomes and prices. Their incomes should go up but the prices of things they want to buy should stay the same. For example, a homemaker may not understand that when her husband gets a raise in salary this becomes part of the product or service he supplies. This may increase the cost to the buyer unless efficiencies offset some or all of this added cost. If consumers stop buying the product or service because they think the price is too high, her husband may be out of a job.

Wages are important in the cost of food too. But, so far, those of food workers have tended to lag behind wages in other industries. Added to this, food producers and processors have become more efficient--they have increased their output per man-hour of labor. If these situations had not prevailed, prices would have risen much more than they have.

Saying prices are "high" indicates a comparison. Actually, they are "high" only in relation to what we have to buy with--our take-home pay. But, being human, when we get a raise, we tend to plan all the things we are going to do with it--frequently, this adds up to many more things than we could buy even if all prices stayed the same. I suppose most of us would like a situation where we would have:

1967 wages;

1935 prices;

1928 dividends;

1900 taxes.

When we're doing this kind of wishing, we forget why it is that we have all the things that now provide us with the highest standard of living in the world. As long as we can continue to produce foods and other commodities so their costs go up less than our wages, our standard of living goes up. And, this is what has been happening in our country over a period of many years.

We can buy 25 percent more goods and services with our per capita income (after taxes) today than we could as recently as 1958. This allows for changes in prices too. And, here are some of the things we have been buying during the last few years.

In 1965, 94 percent of our families had TV sets.

In 1955, only 67 percent had them.

In 1965, 20 percent had two or more sets;

In 1955, only 2 percent had more than one.

In 1965, 79 percent of our families had cars--

In 1955, 70 percent had cars.

But the big difference comes in the fact that

In 1965, 24 percent had 2 or more cars; while

In 1955, only 10 percent of our families had more than one.

Today, homemakers use very few products that come directly from the farm. They raise very little of their own food. Even farm families are buying more of the food they use than they did just a few years ago.

Much of what is done to food on its way to market is done in an effort to please the ultimate consumer. Each family shopper determines through her purchases whether she likes what is provided. If she doesn't she has several avenues open to her--some of the most powerful.

She can tell the supermarket manager her concerns. If enough do this, practices will have to change.

She can refuse to purchase the article. If enough feel the same way, the food will usually disappear from the shelves.

She must realize, though, that the food business is still a highly competitive one--and staying in business means that each segment must have adequate returns for their efforts. Or, ultimately the consumer will suffer.

She must realize that people can eat just so much food. When this need is met, most shoppers begin to search for better qualities and more services--more



marketing services. And, consumers have had enough discretionary spending power in recent years to satisfy many of their desires for a wide variety of food, with added services, the year around. Yet for this variety, for these new forms of foods almost the year around, the average family has been spending a progressively smaller share of its income. An individual family may fare less well or better than the average. Low-income families have had problems. But much is being done to help them. Others have fared very well--better than many realize.

In closing, let me give you an illustration of what I mean when I say consumers--or homemakers, if you will--do not appear to adequately evaluate their expenditures, at least not as well as I would like them to.

A homemaker on a recent TV program stated that "It costs me \$35 a week if I shop in town and another \$10-\$15 a week for milk and bread during the week and I do all my own cleaning as far as vegetables go, and all my own baking. I even bake my own bread, and this is ridiculous." This indicates many things to me. First, and very obvious, she thought she was spending too much. But her statement gives little indication of why she spends this much.

How many is she buying for?

How old are her children?

How much of the \$35 actually went for nonfoods?

How well did she plan before going to market?

What kinds of foods other than those mentioned were purchased?

It is evident that there is a need for greater understanding of:

Why a family's food bill may change--

Why it may differ from a neighbor's--

Why it changes as family members grow up or grow older--

Why it can be changed by shifting purchases to different types and qualities of foods--

Why changes in supplies, demands, and income can affect prices.

There is a great need for more information, more economic know-how. This is where you can help immensely for you represent a group who can provide such information and have a unique opportunity to do so.

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